

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

**COMMISSIONERS**

BOB STUMP, Chairman

GARY PIERCE

BRENDA BURNS

BOB BURNS

SUSAN BITTER SMITH

RECEIVED

AZ CORP COMMISSION

DOCKET CONTROL

2013 JUN 25 PM 3 51

IN THE MATTER OF THE APPLICATION OF  
VALENCIA WATER COMPANY – TOWN DIVISION  
FOR THE ESTABLISHMENT OF JUST AND  
REASONABLE RATES AND CHARGES FOR UTILITY  
SERVICE DESIGNED TO REALIZE A REASONABLE  
RATE OF RETURN ON THE FAIR VALUE OF ITS  
PROPERTY THROUGHOUT THE STATE OF ARIZONA

Docket No. W-01212A-12-0309

IN THE MATTER OF THE APPLICATION OF  
GLOBAL WATER – PALO VERDE UTILITIES  
COMPANY FOR THE ESTABLISHMENT OF JUST AND  
REASONABLE RATES AND CHARGES FOR UTILITY  
SERVICE DESIGNED TO REALIZE A REASONABLE  
RATE OF RETURN ON THE FAIR VALUE OF ITS  
PROPERTY THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. SW-20445A-12-0310

IN THE MATTER OF THE APPLICATION OF WATER  
UTILITY OF NORTHERN SCOTTSDALE, INC. FOR A  
RATE INCREASE

Docket Nos. W-03720A-12-0311

IN THE MATTER OF THE APPLICATION OF  
WATER UTILITY OF GREATER TONOPAH FOR  
THE ESTABLISHMENT OF JUST AND REASONABLE  
RATES AND CHARGES FOR UTILITY SERVICE  
DESIGNED TO REALIZE A REASONABLE RATE OF  
RETURN ON THE FAIR VALUE OF ITS PROPERTY  
THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-02450A-12-0312

IN THE MATTER OF THE APPLICATION OF  
VALENCIA WATER COMPANY – GREATER  
BUCKEYE DIVISION FOR THE ESTABLISHMENT OF  
JUST AND REASONABLE RATES AND CHARGES FOR  
UTILITY SERVICE DESIGNED TO REALIZE A  
REASONABLE RATE OF RETURN ON THE FAIR  
VALUE OF ITS PROPERTY THROUGHOUT THE  
STATE OF ARIZONA

DOCKET NO. W-02451A-12-0313

**NOTICE OF FILING UPDATE  
ON CUSTOMER OUTREACH**

Arizona Corporation Commission  
**DOCKETED**

JUN 25 2013

DOCKETED BY

*[Signature]*

1 IN THE MATTER OF THE APPLICATION OF  
2 GLOBAL WATER – SANTA CRUZ WATER COMPANY  
3 FOR THE ESTABLISHMENT OF JUST AND  
4 REASONABLE RATES AND CHARGES FOR UTILITY  
5 SERVICE DESIGNED TO REALIZE A REASONABLE  
6 RATE OF RETURN ON THE FAIR VALUE OF ITS  
7 PROPERTY THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-20446A-12-0314

5 IN THE MATTER OF THE APPLICATION OF  
6 WILLOW VALLEY WATER COMPANY FOR THE  
7 ESTABLISHMENT OF JUST AND REASONABLE  
8 RATES AND CHARGES FOR UTILITY SERVICE  
9 DESIGNED TO REALIZE A REASONABLE RATE OF  
10 RETURN ON THE FAIR VALUE OF ITS PROPERTY  
11 THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-1732A-12-0315

**NOTICE OF FILING UPDATE  
ON CUSTOMER OUTREACH**

10 Global Water – Palo Verde Utilities Company, Global Water – Santa Cruz Water  
11 Company, Valencia Water Company – Town Division, Valencia Water Company – Greater  
12 Buckeye Division, Water Utility of Greater Tonopah, Willow Valley Water Co. and Water Utility  
13 of Northern Scottsdale (collectively, the “Global Utilities”), as an update to their customer  
14 outreach efforts, file the attached documents:

15 Attachment A Additional rate case information included with official public notice  
16 mailed to all customers.

17 Attachment B Additional rate case information included with notice of public  
18 comment session in Maricopa, and sent to Maricopa-area customers.

19 Attachment C Presentation by Ron Fleming, President, Regulated Utilities  
20 Division, to the City of Maricopa Rate Case Task Force on February  
21 28, 2013.

22 Attachment D Presentation by Harold Thomas, Regional Manager, to Willow  
23 Valley customers on April 25, 2013.

24 Attachment E Remarks of Ron Fleming, President, Regulated Utilities Division, to  
25 the City Council of the City of Maricopa, June 18, 2013.

26 Attachment F Print out of information available on the Global Utilities’ rate case  
27 website. Please note that the Global Utilities are in the process of



1 preparing an updated rate case website, and they will file the updated  
2 website information when it is available.

3 The Global Utilities will provide periodic updates on further customer outreach efforts. In  
4 addition, the Global Utilities will separately provide an update on certain issues raised during the  
5 public comment session in Maricopa.

6 RESPECTFULLY SUBMITTED this 25<sup>th</sup> day of June, 2013.

7  
8 ROSHKA DEWULF & PATTEN, PLC

9  
10 By Timothy J. Sabo  
11 Michael W. Patten  
12 Timothy J. Sabo  
13 One Arizona Center  
14 400 East Van Buren Street, Suite 800  
15 Phoenix, Arizona 85004

16 *Attorneys for Global Utilities*

17 Original +13 copies of the foregoing  
18 filed this 25<sup>th</sup> day of June 2013, with:

19 Docket Control  
20 Arizona Corporation Commission  
21 1200 West Washington  
22 Phoenix, AZ 85007

23 Copies of the foregoing hand-delivered/mailed  
24 this 25<sup>th</sup> day of June 2013 to:

25 Lyn A. Farmer, Esq.  
26 Chief Administrative Law Judge  
27 Hearing Division  
28 Arizona Corporation Commission  
29 1200 West Washington  
30 Phoenix, AZ 85007

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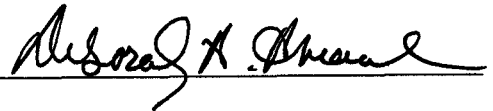
18 Willow Valley Club Association  
19 c/o Gary McDonald, Chairman  
1240 Avalon Avenue  
20 Havasu City, AZ 86404

21 Steven P. Tardiff  
22 44840 W. Paitilla Lane  
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SNR Management, LLC  
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By 

# Attachment

"A"



To Our Valued **Santa Cruz Water Company** and **Palo Verde Utilities Company** Customers:

This letter is to inform you that a rate application for all Global Water utilities has been filed with the Arizona Corporation Commission (ACC) and is currently in the review process. As a regulated private utility, Global Water's water, wastewater, and recycled water rates are established through a formal hearing process called a rate case. Rate cases are designed to ensure essential public service corporations' rates are just and reasonable, while enabling utility providers to recover the costs necessary to provide high quality, safe, reliable, and sustainable services.

**No changes will be made to your existing rates until the rate case process is completed, which is anticipated to occur late in 2013. Additionally, the rates for Maricopa customers will be phased in over a multi-year period and any increase will be limited to approximately a 5% annual increase for the median residential customer (an increase of less than \$6 per month per calendar year).**

Global Water has continued to invest into your utility to address critical infrastructure needs and to cover costs that have escalated due to regulatory and service level requirements. Over the next 6 to 12 months, Global Water's rate application, which consists of detailed financial and operational data, will be thoroughly reviewed and scrutinized by the ACC and consumer advocacy organizations. This process will ultimately determine the rates each utility will collect to meet its financial obligations, which is necessary for Global Water to continue to carry forth its mission:

*To grow an enduring utility whose professional staff is focused on quality in customer service and excellence in utility operations; planning today to manage future water scarcity by investing in and improving regulated water and wastewater companies while preserving our most precious resource through water recycling, conservation, and the deployment of advanced technology for utility optimization.*

Because proactive water management is vital in the desert southwest where water resources are scarce, Global Water has successfully implemented its vision in numerous utilities throughout Arizona including yours; benefitting customers, the communities, and the environment. **In the City of Maricopa, Global Water has reused over 3 billion gallons of recycled water in just the past 8 years. To put this in perspective, this has saved enough groundwater to serve the entire City for nearly 2 years.**

Now, we must continue to ensure that these regulated utilities remain financially viable and that they earn their authorized return. The rates on the attached notice represent what was filed in the application; however, the ACC determines what the new rates will be and these will only go into effect once approved by the Commissioners.

Global Water is committed to keeping our customers informed. During the rate application process, a series of open meetings will be held where we will provide additional information and allow customers to comment on the rate application. Customers can find answers to frequently asked questions at [http://www.gwresources.com/resources/Pages/customers/rate\\_case.aspx](http://www.gwresources.com/resources/Pages/customers/rate_case.aspx). You may also send questions and comments to [ratecase@gwresources.com](mailto:ratecase@gwresources.com) or contact Customer Service at 1-855-518-4018.

# Attachment

"B"



To Our Valued **Santa Cruz Water Company** and **Palo Verde Utilities Company** Customers:

As previously communicated, a rate application for all Global Water utilities has been filed with the Arizona Corporation Commission (ACC) and is currently in the review process. Here are some important points related to the rate application:

**Rates for water, wastewater, and recycled water service are set by the ACC.** The ACC will determine if a utility's expenses are reasonable and its investments prudent. The ACC allows only for the recovery of, and return on, such costs in the rates it sets. Rates are intended to ensure these essential utility providers are able to deliver high quality services that are safe and reliable.

**The current rates are based on the cost of providing this service in 2008.** Since that time, operating costs have increased and necessary investments have been made so that we can continue to deliver the level of service our customers expect, and to ensure our quality of service meets or exceeds federal and state guidelines.

Throughout 2013, the rate application will be thoroughly reviewed and scrutinized by the ACC and consumer advocacy organizations. **We now anticipate that a decision regarding the appropriate level of rates will not be made by the ACC until early 2014.** No changes will be made to your existing rates until the ACC reaches its decision.

As per our agreement with the City of Maricopa, we are requesting that the ACC approve phasing in the new rates for residential customers. Our request limits the maximum annual increase for median residential customers to not more than approximately 5% per year until the new rates are fully phased in. **If approved, this means an increase of less than \$5 per month for the median residential customer.**

**In the City of Maricopa, Global Water has reused over 3 billion gallons of recycled water -- enough water to serve the entire City for almost 2 years.** We are requesting to set the cost of recycled water at \$2.00 per thousand gallons. This price remains well below the cost of potable water and is an appropriate price for the environmental value of recycled water. **Increasing the recycled water rate does not increase what the ACC determines to be the utility's reasonable expenses and prudent investments.** Instead, an increase in the recycled water rate assures that the users of recycled water pay an appropriate amount for this service, rather than spreading the cost of providing recycled water across all customers of the wastewater utility.

Customers can find answers to frequently asked questions at:

[http://www.gwresources.com/resources/Pages/customers/rate\\_case.aspx](http://www.gwresources.com/resources/Pages/customers/rate_case.aspx).

You may also send questions and comments to [ratecase@gwresources.com](mailto:ratecase@gwresources.com).

*GLOBAL WATER'S MISSION: TO GROW AN ENDURING UTILITY WHOSE PROFESSIONAL STAFF IS FOCUSED ON QUALITY IN CUSTOMER SERVICE AND EXCELLENCE IN UTILITY OPERATIONS; PLANNING TODAY TO MANAGE FUTURE WATER SCARCITY BY INVESTING IN AND IMPROVING REGULATED WATER AND WASTEWATER COMPANIES WHILE PRESERVING OUR MOST PRECIOUS RESOURCE THROUGH WATER RECYCLING, CONSERVATION, AND THE DEPLOYMENT OF ADVANCED TECHNOLOGY FOR UTILITY OPTIMIZATION.*

# Attachment

"C"

# City of Maricopa Rate Case Task Force

Global Water's history and partnership,  
and why it matters.



**Ron Fleming, President  
Regulated Utilities**

February 28, 2013

1



## **Global Water's Mission**

**To aggregate water and wastewater utilities in the southwest allowing our customers and the company to realize the benefits of consolidation, regionalization and environmental stewardship in the face of **water scarcity**.**

## **Global Water's Vision**

**To grow an enduring utility whose professional staff is focused on quality in customer service, excellence in water resource delivery, and the management of **water scarcity** through innovation in water recycling and technologies.**

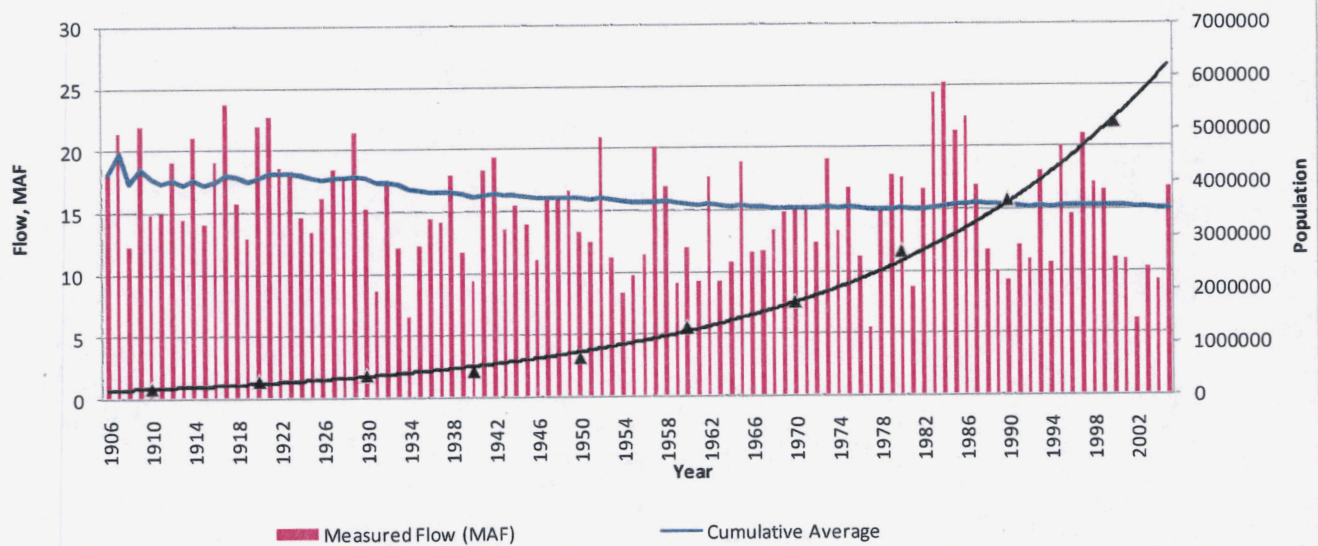


## Water in Arizona

- We are facing a challenge, Water Scarcity
  - Droughts are a relative constant and growth is a certainty, while water supplies are decreasing.
- Pinal County and the far West Valley face significant water scarcity constraints, yet were the fastest growing areas in the Country.
  - Pinal AMA has sufficient renewable water for 144,000 homes
  - The Maricopa Planning Area alone (less than 20% of the County's area) had 325,000 homes in planning

**Regional water reclamation and reuse ARE required.**  
**(Over 3 billion gallons recycled so far.)**

### Colorado River Flow (Measured at Lee's Ferry)





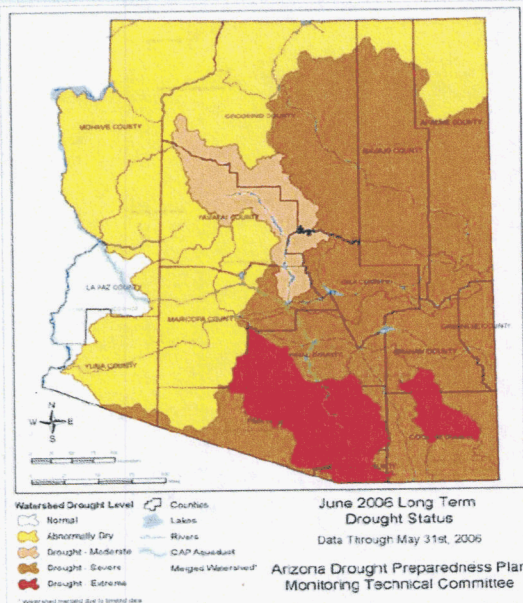
# Why We Think Water Scarcity is a Constant

## Arizona's Drought Status

### U.S. Drought Monitor

February 19, 2013  
Valid 7 a.m. EST

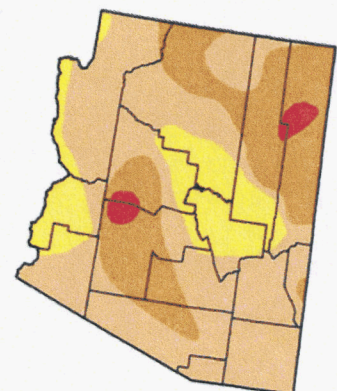
#### Arizona



	Drought Conditions (Percent Area)						
	None	D0-D4	D1-D4	D2-D4	D3-D4	D4-D5	D5-D6
Current	0.00	100.00	83.13	29.45	2.03	0.00	
Last Week (02/12/2013 map)	0.00	100.00	87.66	29.45	2.03	0.00	
3 Months Ago (11/25/2012 map)	0.00	100.00	98.66	34.10	5.67	0.00	
Start of Calendar Year (01/01/2013 map)	0.00	100.00	97.91	37.78	8.68	0.00	
Start of Water Year (09/25/2012 map)	0.00	100.00	100.00	31.93	5.67	0.00	
One Year Ago (02/14/2012 map)	1.98	98.02	80.56	33.32	0.00	0.00	

#### Intensity

D0 Abnormally Dry	D3 Drought - Extreme
D1 Drought - Moderate	D4 Drought - Exceptional
D2 Drought - Severe	



The Drought Monitor focuses on broad-scale conditions.  
Local conditions may vary. See accompanying text summary  
for forecast statements.

<http://droughtmonitor.unl.edu>

USDA  
National Drought Mitigation Center  
Released Thursday, February 21, 2013  
Brian Fuchs, National Drought Mitigation Center

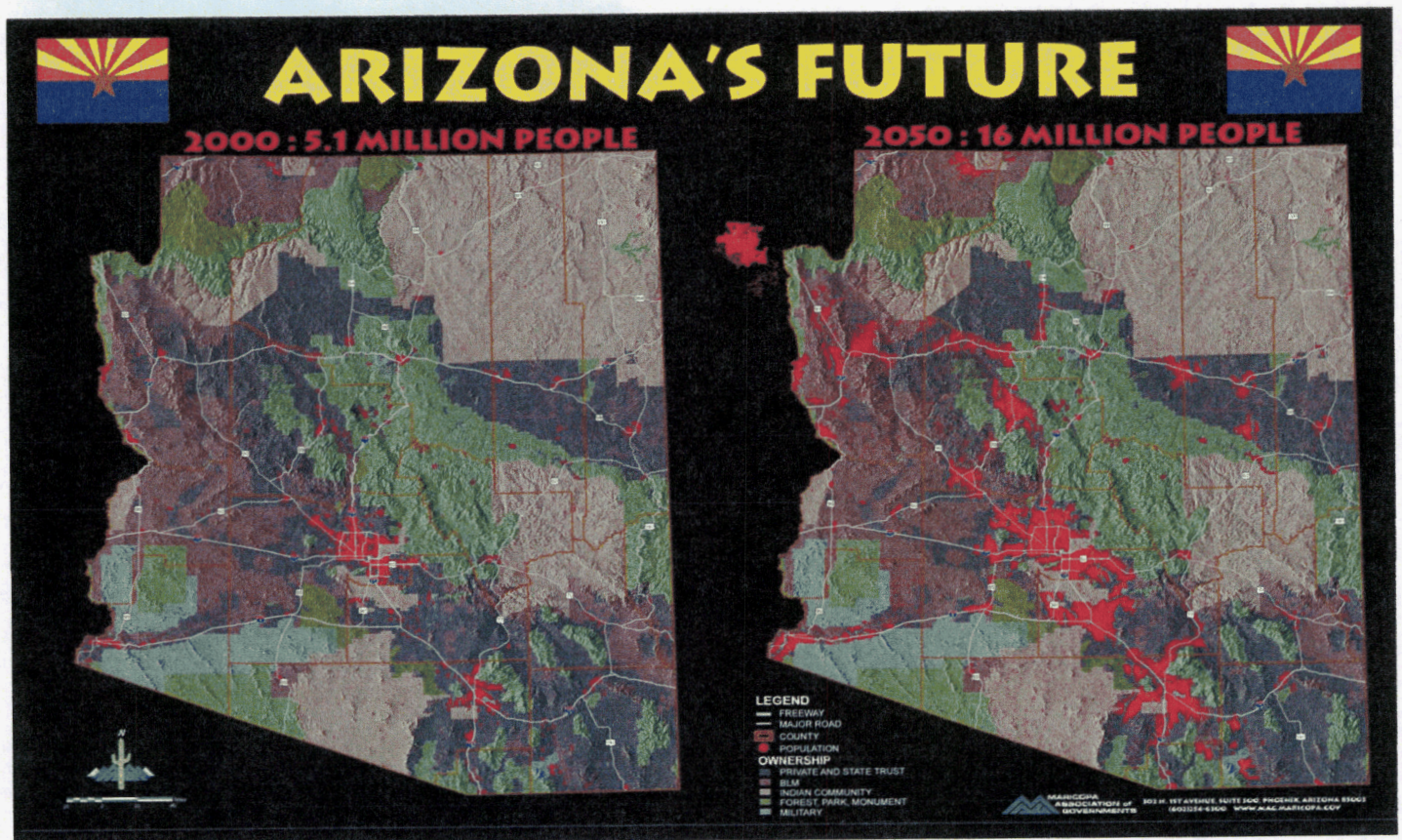
June 2006

January 2011

GLOBAL WATER



## Why We Think Water Scarcity is a Constant



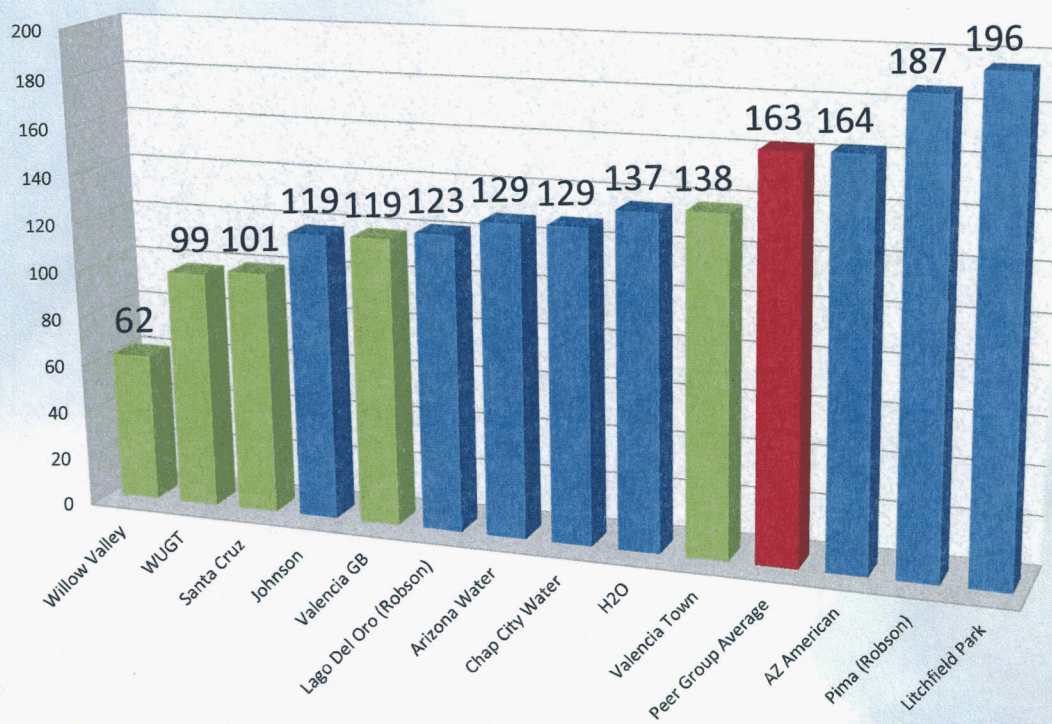


## Maricopa and Global Water

- Global acquired SCWC and PVUC in 2004
- Signed original MOU 2005.
- Eliminated troubled 387 District in 2007.
- Deployed the largest distributed recycled water system in the country.
- Infused advanced technologies & efficiencies
- Invested \$175 Million
- Grew from ~5000 to 40,000+, in only 6 years

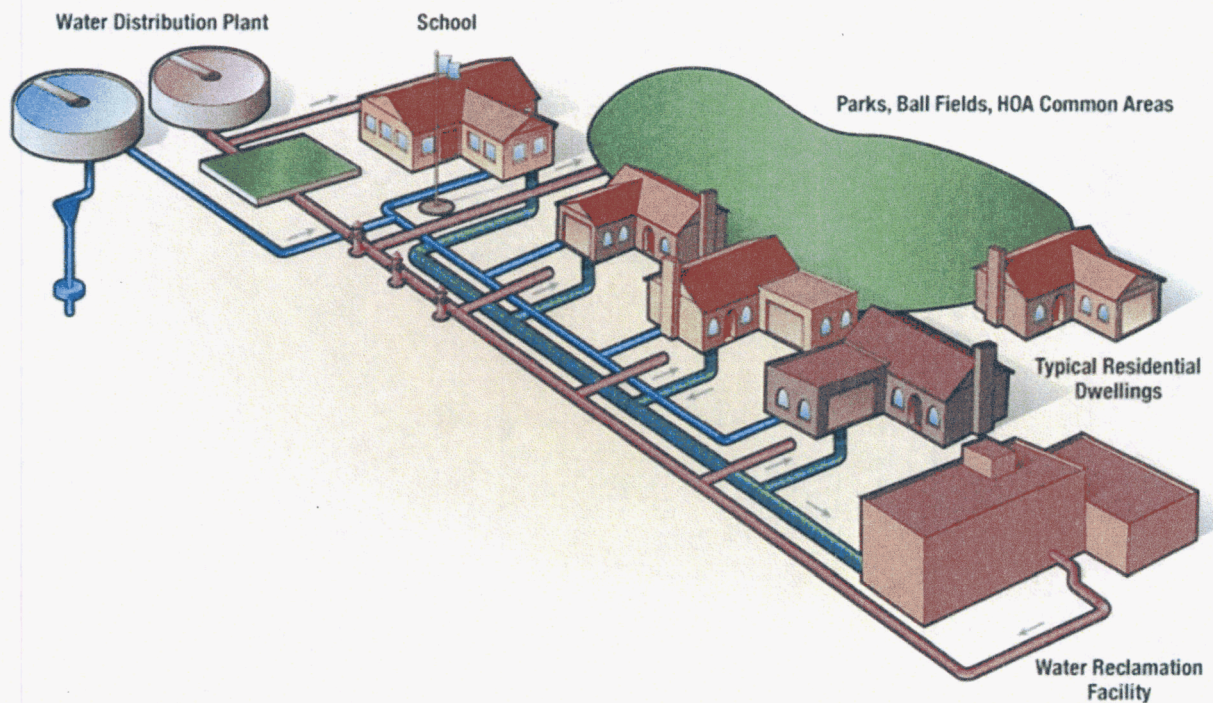
**SCARCITY MANAGEMENT = Achieved a groundwater demand per home 30% below industry averages.**

Gallons Sold Per Customer (1,000s) 2010





## How do we do it? Total Water Management

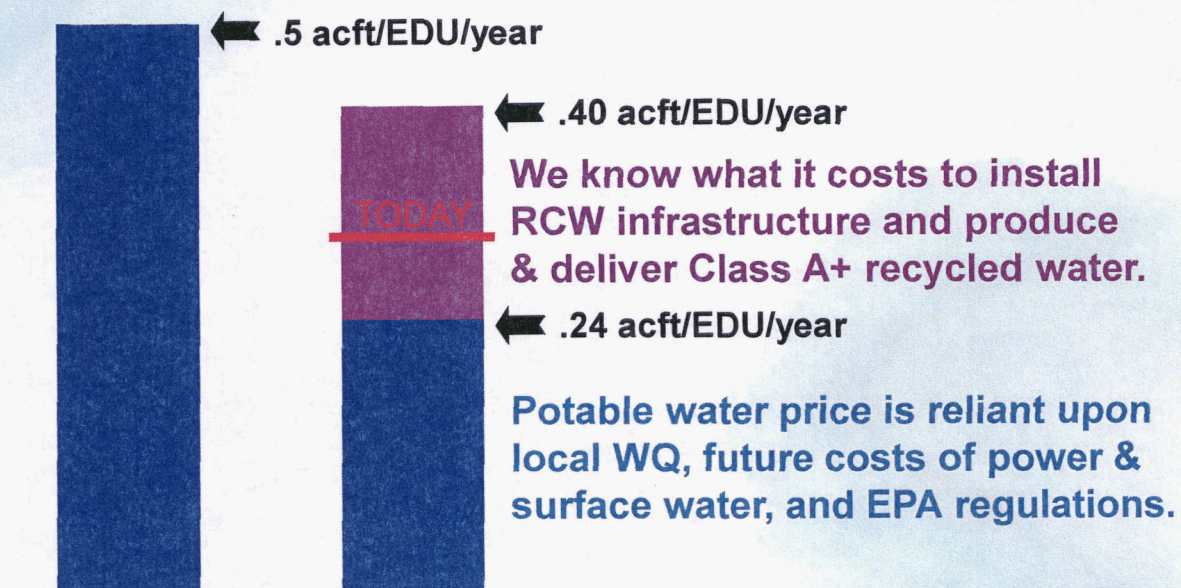


## Global Water – Total Water Management

Status Quo   Global Vision

100%

**A 52% Planned Reduction  
In Ground or Surface Water**





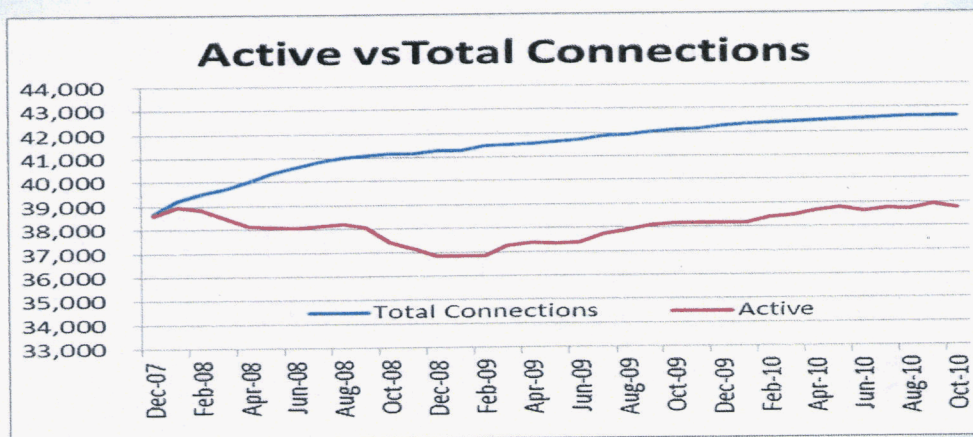
## **387 Districts/ Sonoran Utilities**

- Troubled provider in Maricopa, Arizona
  - Over 10,000 acres of service area
  - Homes were occupied but there was no wastewater solution – sewage was being vaulted & hauled
  - Water was not potable due to high nitrates (which cause 'blue baby syndrome')

**At the request of Maricopa, ADEQ and others, Global stepped in and rectified immediately.**

## 2008 Test Year Rate Case

- Filed in 2009, concluded in 2010.
- Large increase due to the following:
  - No prior rate case since utility inception (developer proforma rates and no value given to recycled water)
  - \$175M invested, including clean up of troubled utilities
  - Vacancy Rate greater than 10%





## 2008 Test Year Rate Case

- In response to the large rate case during a recession, Global did the following:
    - Downsized organization by 40% and reduced costs by over \$2M annually
    - Voluntarily excluded certain expenses
    - Left out \$32M of plant held for future use
- During Rate Case, agreed to a phase-in of wastewater rates. Phase-In occurred until January 1, 2012.**

## **2008 Test Year Rate Case**

- Issues resulting from Opinion and Order
  - Parent company ICFA revenue deemed CIAC
  - ROE slashed to lowest ROE on record
  - Expenses allowed not sustainable

**These issues, including additional investment and increasing costs, are the basis of the 2011 Test Year rate application.**



## **Post Rate Case Revised MOU**

- How did it occur?
  - “Utility Task Force” (Mayor Smith, Councilmembers Brown and Diedrich)
  - Mutual learning sessions throughout 2011:
    - History and impacts of rate case on City & Global
    - Understanding Regulated Utilities and Rate Cases
    - Infrastructure Coordination & Financing Agreement
    - Economic Development, Partnership Opportunities

**Resulted in Revised and Restated MOU signed  
June 23, 2011.**

## MOU Highlights

- Reaffirmed commitment to and value of partnership.
- City supported Total Water Management
- AGREEMENT on ICFA's
- AGREEMENT on Future Rate cases
  - Stipulation of max annual increase for median residential customers at ~5%
- AGREEMENT for Global to deliver on numerous additional commitments to City's benefit.



# Agreement on ICFA Support

- City of Maricopa Resolution 11-39
- City of Maricopa Resolution 11-40
- Participation in ICFA Workshop Process, formally docketing resolution.

## **Agreement on Future Rate Cases**

- Supports City Intervention
- Global will voluntarily stipulate to ~5% annual cap for the median residential user, phasing in any increase greater than this.
- Global pursuing other items to allow for RATE GRADUALISM.

**Per the existing rates, this calculates out to less than \$5 per month increase annually.**



# Global Commitments

	MOU value received by the City	Estimated % complete	Estimated total value to be received by the City
<b>Cancellation of Obligation to Pay ICFA or Off-Site Capacity Fees</b>			
Central Arizona College	\$ 1,000,000	100%	\$ 1,000,000
City Complex	\$ 2,165,276	100%	\$ 2,165,276
Regional Park	\$ 924,000	100%	\$ 924,000
Estrella Gin	\$ 2,472,120	100%	\$ 2,472,000
<b>Cancellation of Obligation to Pay LXA Fees</b>			
City Complex - Line Extension Agreements	\$ 25,392	100%	\$ 25,392
Regional Park - Line Extension Agreements	\$ -	0%	\$ 24,000
Estrella Gin Fire Station - Line Extension Agreements	\$ 21,680	100%	\$ 21,680
<b>Other Activities or Services of Value</b>			
CC&N Expansion	\$ -	0%	\$ 125,000
Santa Rosa Wash Pathway Solution	\$ 50,000	100%	\$ 50,000
FATHOM GIS - SaaS Access, Updates, Tool Development, Integrations	\$ 642,511	36%	\$ 1,800,000
FATHOM Client Portal - Secure Access to Applications	\$ 10,000	100%	\$ 10,000
Community Interaction Platform for Citizens Service Requests	\$ 9,750	65%	\$ 15,000
Project Management Services	\$ 23,240	12%	\$ 187,500
<b>Total</b>	<b>\$ 7,343,967</b>	<b>83%</b>	<b>\$ 8,819,847</b>
MOU value received by the City	\$ 7,343,967		
License Fees incurred through December 31, 2012	\$ 1,452,504		

## List of Concerns

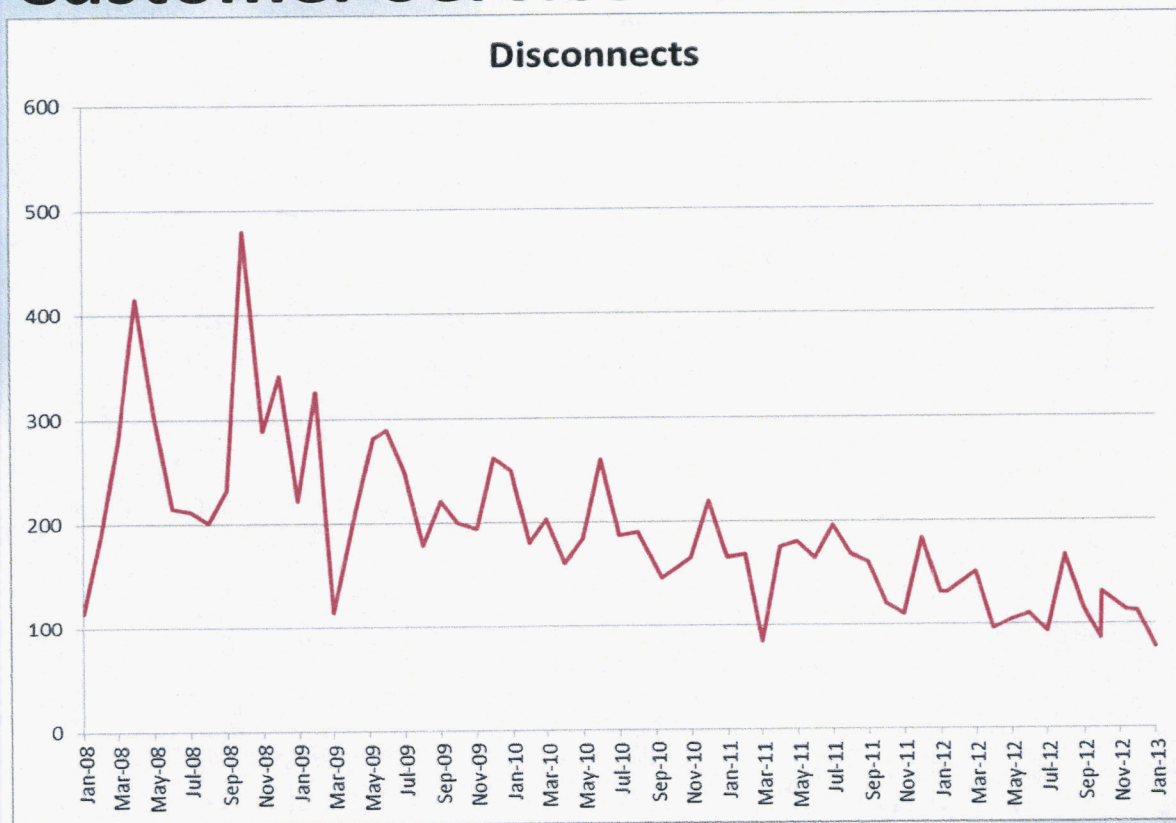
- Customer Service
- Quality of Service
- Water Quality
- Expenses
- Accounting
- Gold-Plating
- Rate Design
- Recycled Water Rates
- ICFAs



## Informal Customer Complaints filed with the ACC

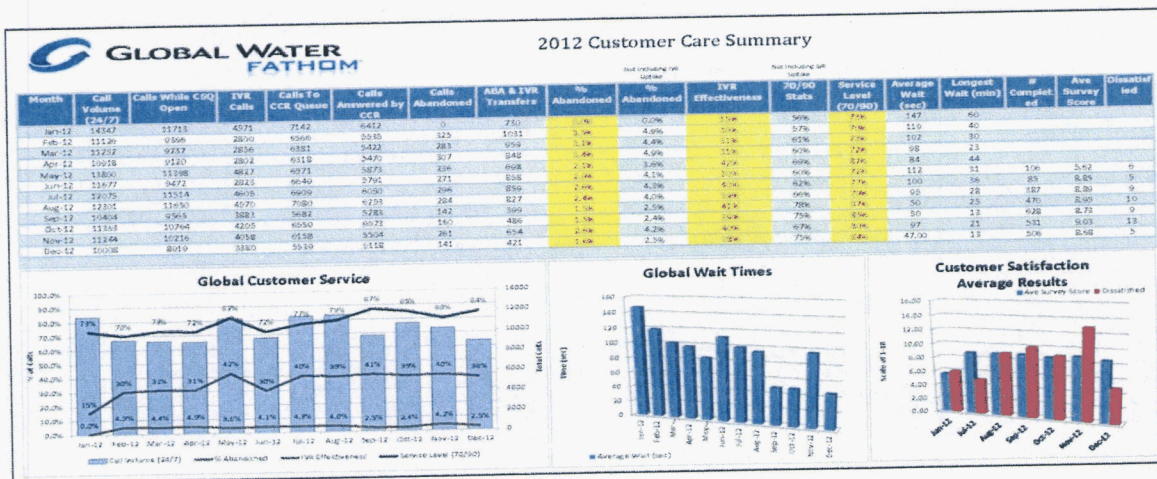
<u>Utility</u>	<u>Customers at 1/31/2013</u>	<u>Jan 13</u>	<u>2013 YTD</u>	<u>YTD Not Preventable</u>	<u>YTD Preventable</u>	<u>2012 Total</u>	<u>2011 Total</u>	<u>2010 Total</u>	<u>2009 Total</u>
Santa Cruz & Palo Verde	17,569	-				25	73	44	79
Valencia Water	5,988	-				5	10	4	10
Water Utility of Greater Buckeye	682	-				2	4	4	5
Water Utility of Greater Tonopah	376	-				1	3	3	5
Willow Valley Water Company	1,618	1	1	1		4	7	54	6
Water Utility of Northern Scottsdale	78	-				1	-	-	3
Year to Date Total			1	1		38	97	109	108

# Customer Service - Disconnects

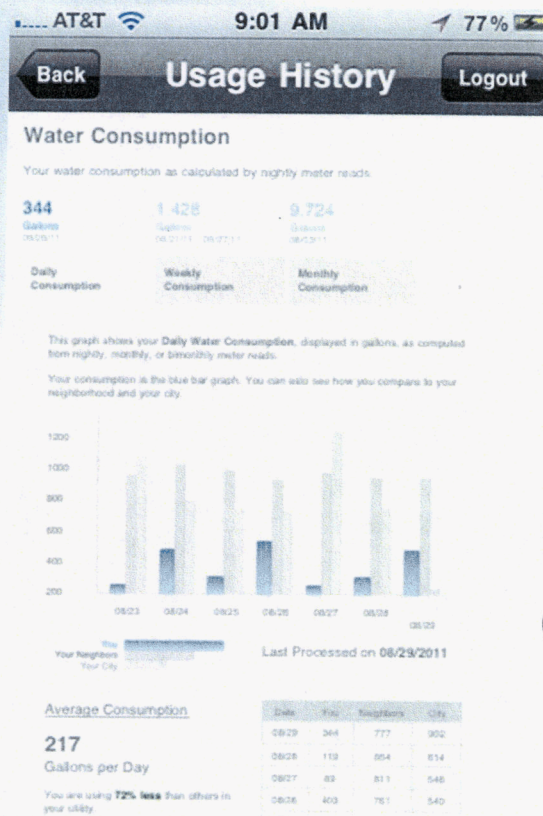




# Customer Service – Call Center



# Customer Service – You2U



## Real-time Data

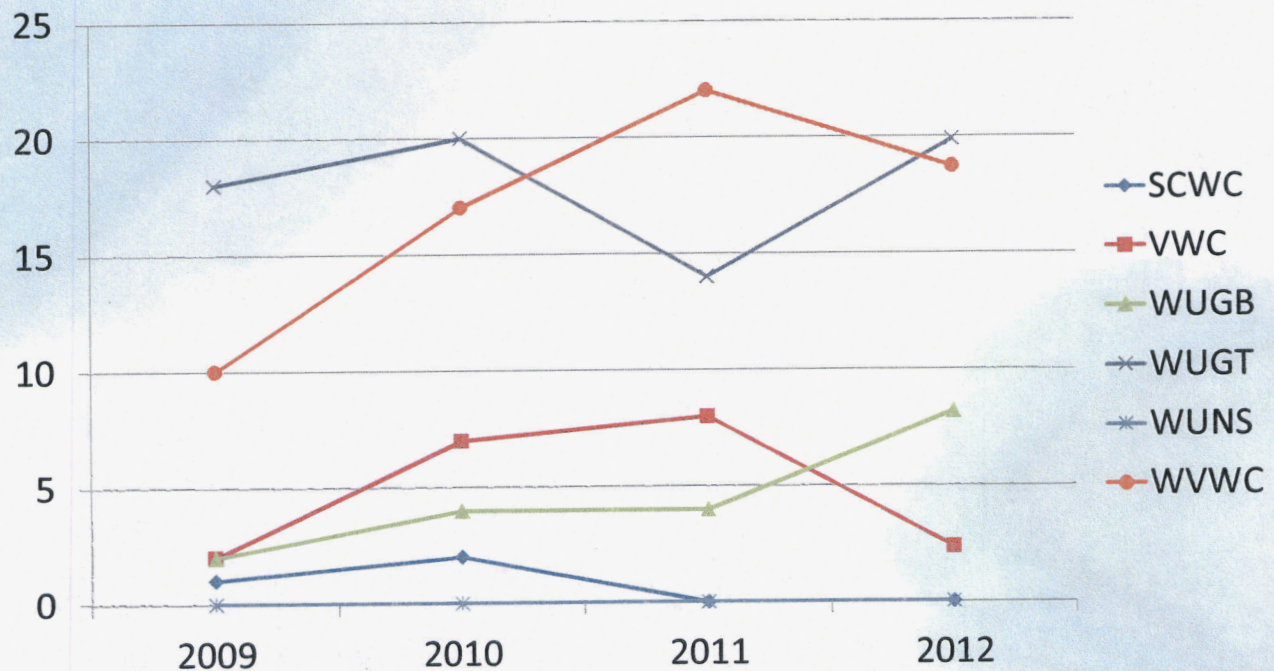
## Real-time Conservation



# Customer Service - Accessibility

- 7 ways to Pay
  - Online
  - Call in
  - Smart Phone
  - IVR (intelligent voice recognition)
  - ACH
  - Pay via Bank
  - Mail
- Adjusted Global Water Center hours
  - 8.5 hours per day, Monday through Friday

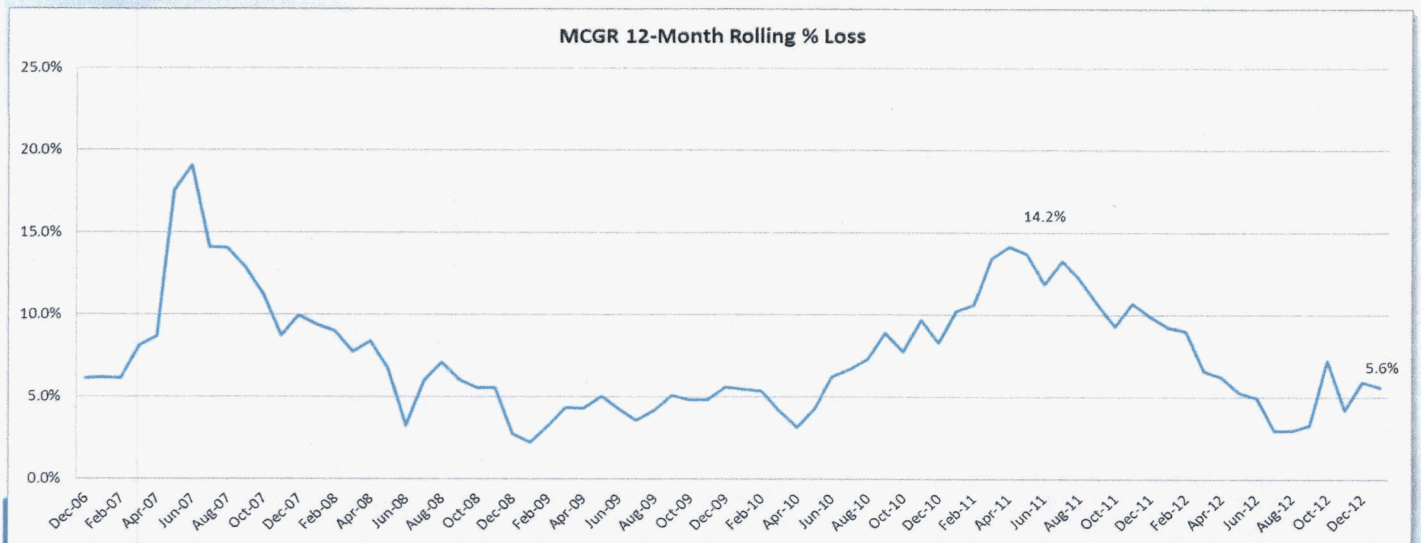
## Quality of Service – Outages





## Quality of Service – Other

- Utilities in Full Compliance – PRIMARY MANDATE
- Utility Staff at 435 days w/o lost time safety event
- Water loss mitigated to very low level



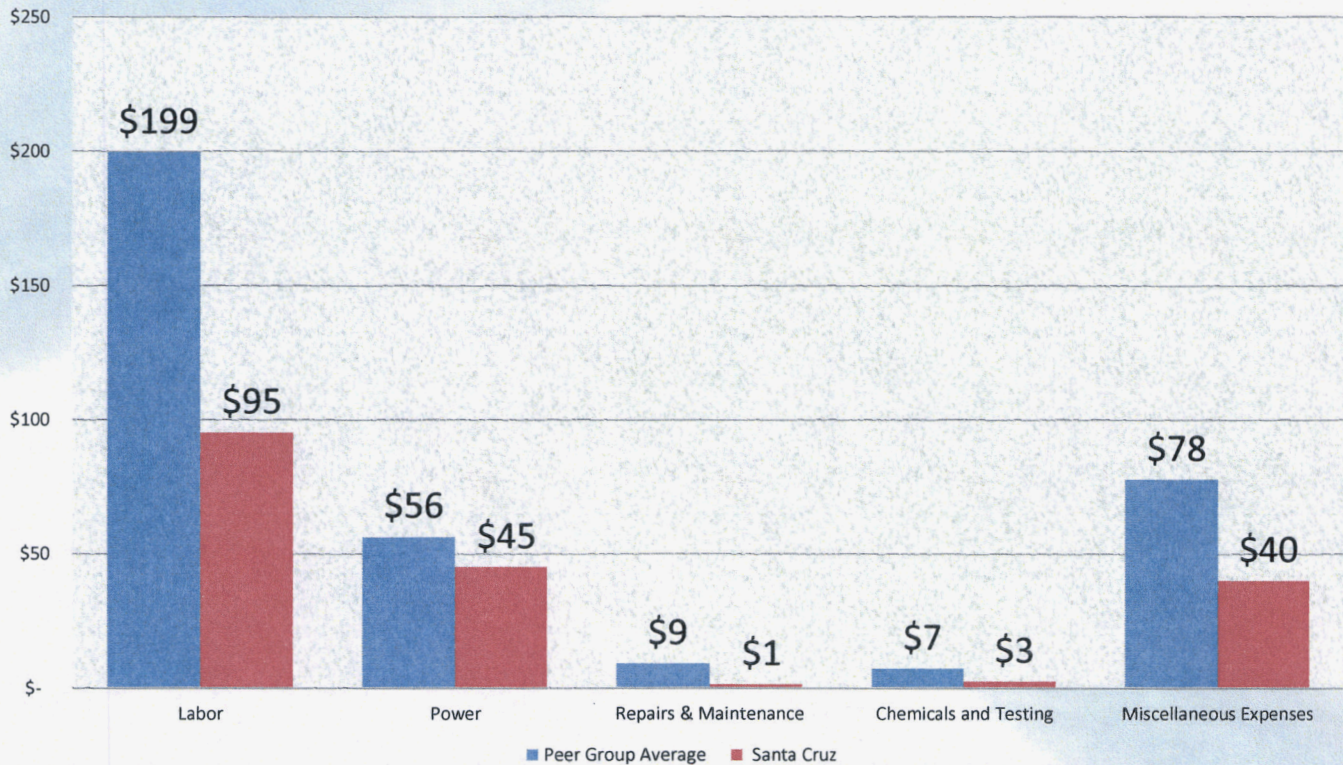
# Water Quality

- Groundwater
- Hardness
- Full Compliance through source blending





## Operational Expenses per Customer Santa Cruz vs. Peer Group Average 2010 Annual Reports Data



# Accounting - Fuzzy Math?

## Audit of Financial Statements

- All of Global's historical financial statements have been subject to comprehensive annual audits conducted by an independent auditor, Deloitte and Touche LLP
- Unqualified opinions were issued in every year since inception.



## 2010 Example:

- Deloitte audit team included: 3 partners, 1 Director, 1 Senior Manager and 1 Manager (all of whom are CPAs). The team also included 2-5 staff and senior staff level auditors who were on-site daily or regularly between August 2010 and March 2011.
- Over 5,000 hours incurred by Deloitte.
- Examination of financial records and detailed testing of transactions on a sample basis throughout this 2010 period.
- Consideration of Global's internal controls and accounting policies for conformity with US Generally Accepted Accounting Principles.
- Auditor's work was subject to review by partners and specialists with expertise in regulatory, tax, and other complex accounting matters.



**Gold Plating**



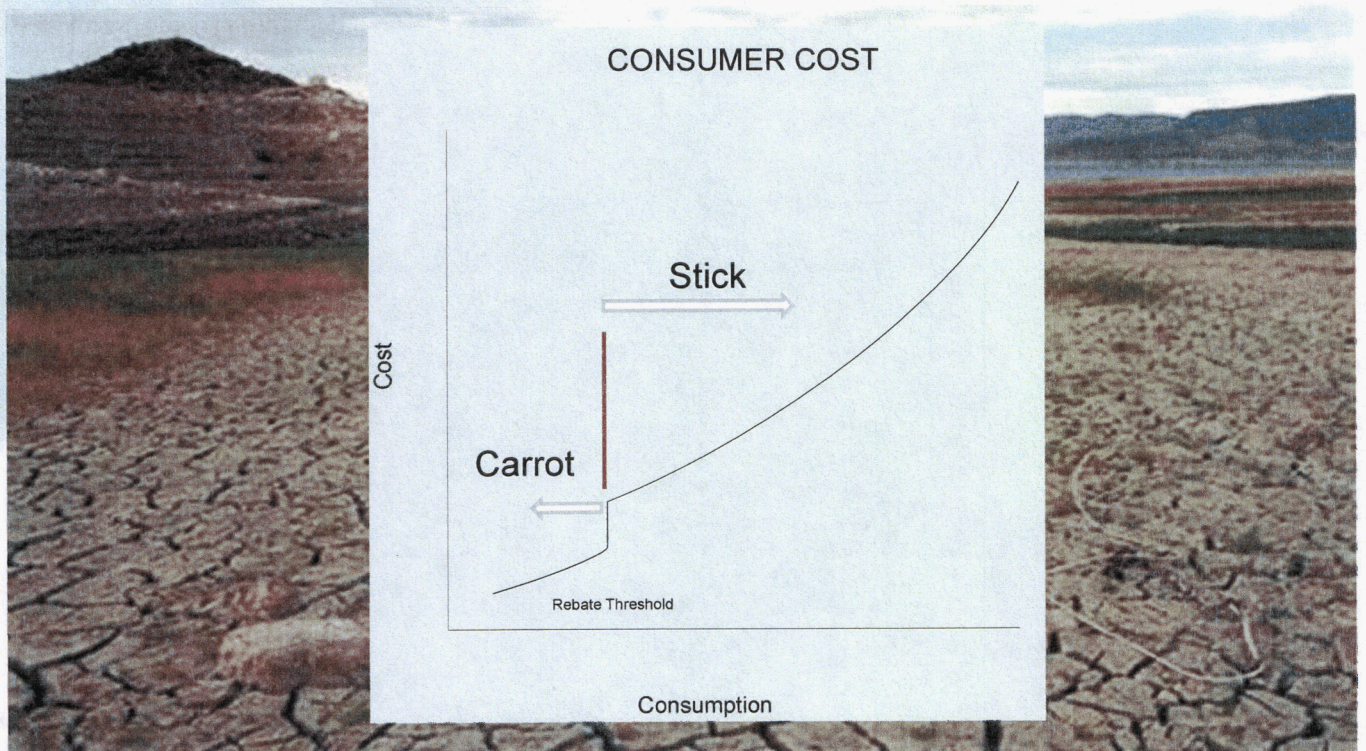
**KIA**

**HYBRID**





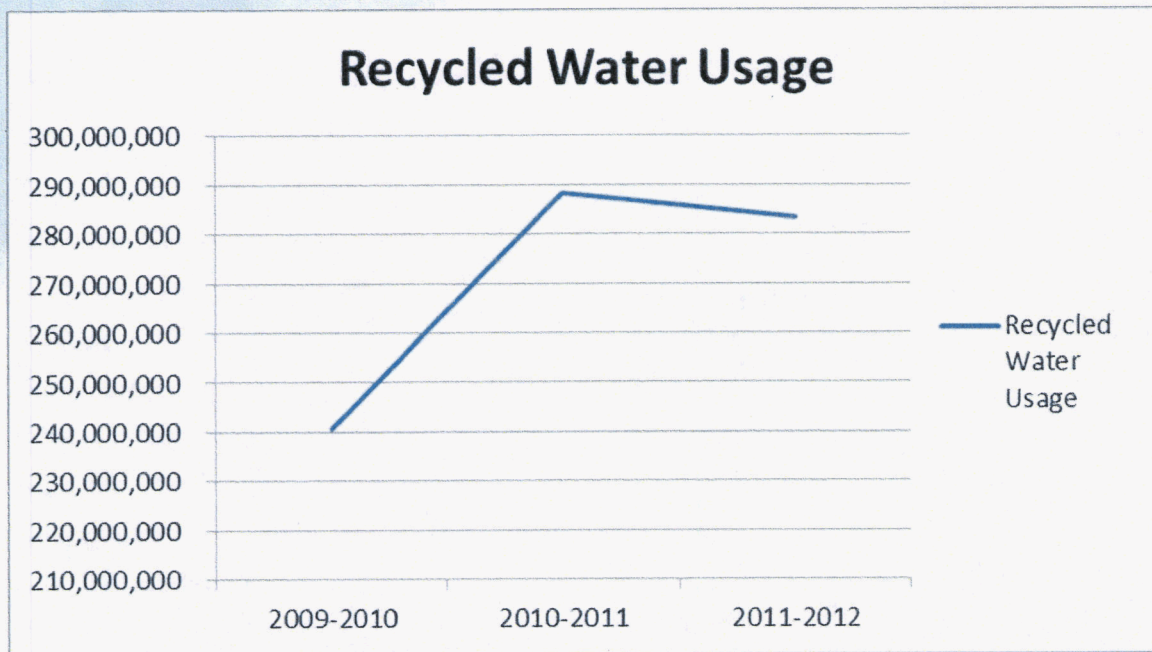
# Rate Design





# Recycled Water Rate

Effects of Rate Doubling to \$.57 per 1000 gallons?



## Next Steps?

- Request to come back next task force meeting to present on Rate Application and ICFA's.
- Include the MOU Task Force?



**GLOBAL WATER**

**RELIABLE • RENEWABLE • REUSABLE**

Attachment

"D"



TM

**GLOBAL WATER**

**RELIABLE RENEWABLE REUSABLE**

# Harold W. Thomas Jr.

- **Regional Manager**
  - Willow Valley, Buckeye, Tonopah, and North Scottsdale
- **Water and power industry professional for 36 years**
- **Community involvement - On a volunteer basis organize funeral escort services throughout Arizona for our military killed in action**

# Harold W. Thomas Jr.

## ➤ Background:

- Vietnam Era Veteran, USAF
- Bachelor of Science, Chemical Engineering, ASU
- Salt River Project, Manager - Water Planning , 18 years
- Paradise Valley Water Company, Operations Manager , 2 years
- Executive Director, West Valley Central Arizona Project Subcontractors, 15 years



# **Our Priorities**

- **Public Health and Safety**
- **Regulatory Compliance**
- **Adequate and Reliable Water Supply**
- **Excellent Customer Service**
- **Fiscally Responsible**

# Willow Valley Water Company

- Global purchased WVWC from Western Maricopa Combine in the summer of 2006

## ➤ Challenges:

- Non-chlorinated drinking water in a system that had past coliform events.
- Severe Iron & Manganese deposits in distribution system mains – restricted flow, high pressure, brown water.

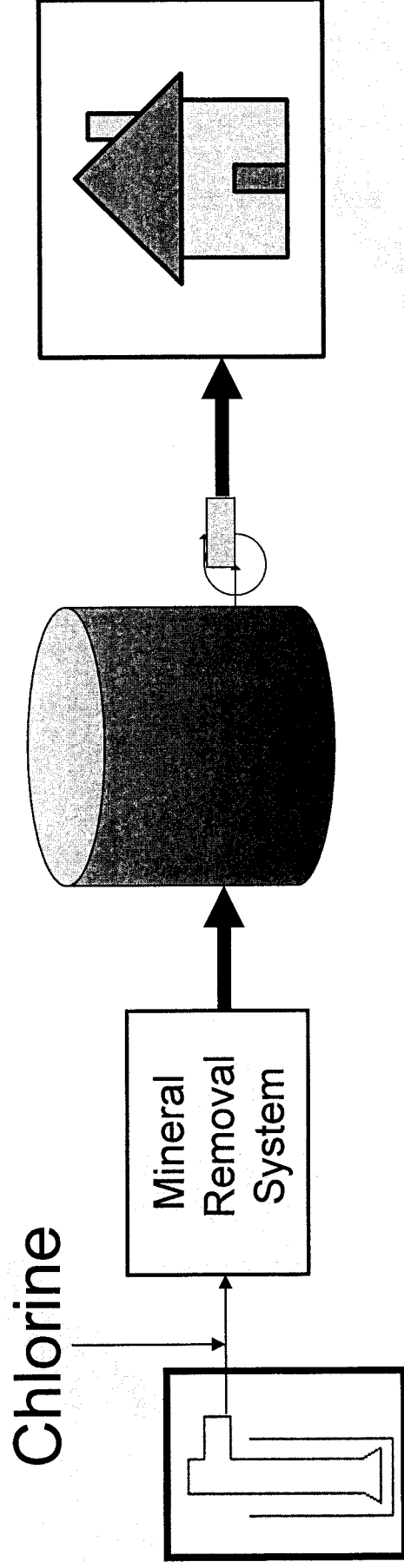
# Willow Valley Water Company

## ➤ Challenges (Continued):

- Non-functioning iron and manganese removal systems and poorly maintained aging plant
- Distribution system in poor condition – substandard pipe, unlooped, frequent water line failures, lack of corrosion control, high water losses.



# Improvements to Water System



# Projects Completed

**\*since last Rate Case**

- **Automated Meter Reading - \$309,000**
- **Disinfection By-Products and Corrosion Control - \$539,000**
- **Misc. improvements - \$249,000**
- **Total Capital Improvements - \$1,100,000**



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# Automated Meter Reading

- **Removed failing meters; installed new meters and automated meter reading (AMR) devices.**
  - **Reduce staffing requirements**
  - **Improve billing accuracy**
  - **Improve service to customers including**
    - **Leak Detection**
    - **Daily Reads**



# DBP & Corrosion Control

- **Elevated levels of lead and copper caused by the corrosive nature of the water.**
- **Elevated levels of disinfection by-products caused by chlorine reaction with local water quality and system dynamics.**
  - Sodium hypochlorite was replaced with chlorine dioxide that's generated on site.
  - In-line static mixer was added to improve pre-oxidation efficiency.
  - Disinfection was enhanced by injecting chlorine gas downstream of the treatment system.
- **New systems materially increased operating costs as well.**

# Miscellaneous Improvements

- **System requires the continuous improvements of failing and unreliable components:**
  - Repairing line failures
  - Replacing failed well and booster pumps
  - Installing new valves and hydrants
  - Acquiring tools and equipment to allow us to self-perform work.



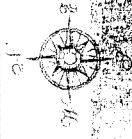
# 2013 Projects

- **Gordon Dr Waterline Improvements -  
\$100,000, 3<sup>rd</sup> Quarter**
- **Supervisory Control and Data  
Acquisition - \$50,000, 4<sup>th</sup> Quarter**



# Potential Future Projects

Willow Valley Water Company



Estimate & Replace

20 Miles of Pipe +  
600 Services



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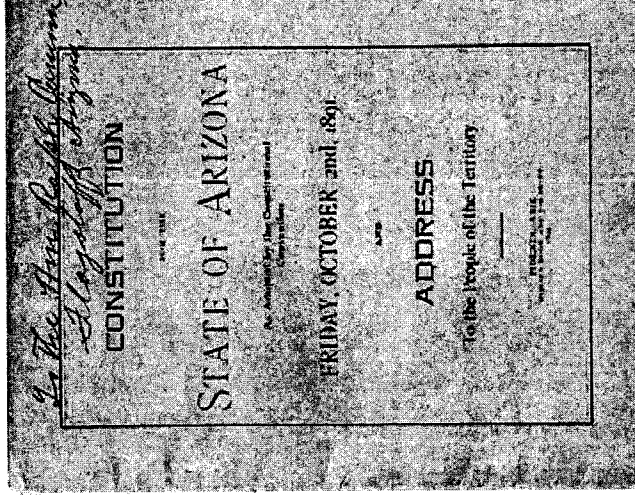
# Arizona Corporation Commission

- Article 15 of the Arizona Constitution establishes the Arizona Corporation Commission.

- It governs:

- Rates
- Service Territories
- Quality of Service
- Capital Structure
- Corporate Structure
- Accounting Principles
- Financing Approvals (Debt)

- Additional roles include facilitating the incorporation of businesses and organizations, securities regulation and railroad/pipeline safety.



# Calculating Revenue Requirement

**Revenue Requirement =**

**TY Revenue + [(RORB) x RB – (TY Revenue – TY Expenses)] x GRCF**

**Rate Base x Rate of Return = Operating Investment  
Operating Investment + Operating Expenses = Required Revenue  
Required Revenue – Test Year Revenue = Additional Revenue**

RORB = Return on Rate Base consisting of Return on Equity and Cost of Debt  
GRCF = Gross Revenue Conversion Factor, Gross up for Taxes (approx 1.6 +/-)



# Rate Structure

The revenue requirement is recovered in two ways:

- It is proposed that 60% of the revenue requirement would be raised through the base rate (monthly minimum charge).
- 40% of the revenue requirement would be raised through the consumption charge (charge based on water usage).



# Increase in Base Rate

Base rate increased from \$21.12 to \$35.00

- The base rate increased so that part-timers pay their fair share of having the system in place.
- The higher base rate design helps to assure that full-time residents do not unfairly subsidize the system by having to pay higher usage rates.
- Not increasing or lowering the Base Rate would mean the Consumption Charge would need to increase to address the revenue requirement.

# Conservation-based Rate Structures

“Tiers should be designed in a manner that customers who conserve will recognize cost savings, while high water users will pay a greater portion of the costs that increased usage places on the water system.”

- Arizona Corporation Commission

“The appropriate rate structure is important in communicating the value of water and encouraging customers to use it responsibly.”

- Arizona Department of Water Resources (ADWR)





# Conservation-based Rate Structures

- Proposed consumption charge rate structure:

From (gallons)	To (gallons)	Cost per 1000 gallons
0	1000	\$5.00
1000	5000	\$6.25
5000	10000	\$7.75
10000	18000	\$9.25
18000	25000	\$10.75
25000+		\$12.00

# Conservation Rebate

- The average use is lower than normal because part-time residency drives down average use.
- The “average user” data is specified by the ACC for purposes of providing notice to the customers and requires us to include 0 usage months for all customers.
- We commit to work with the ACC to resolve this issue on behalf of our customers, however the options are limited as the revenue must come from somewhere.

# Conservation Rebate

We are proposing conservation rates for customers who reduce their usage.

- Currently the rebate threshold is 6,400 gallons per month.
  - ✓ The rebate amount is 45% of the consumption charge.
- The proposed rebate threshold is 5,000 gallons per month.
  - ✓ The rebate amount is 50% of the consumption charge.

# Bottom Line

- The ACC will determine the revenue requirement needed by the utility and the rate increase needed to meet the revenue requirement.
- Bill examples (does not include taxes & fees)
  - 5,000 gallons
    - ✓ From \$28.51 to \$50
  - 7,000 gallons
    - ✓ From \$43.58 to \$80.50
  - 10,000 gallons
    - ✓ From \$57.11 to \$103.75



# In Summary

- Global Water is dedicated to this Utility.
- Strive to be Responsible and Responsive.
- We will continue to work hard improving your water system and preserving the world's most precious resource.
- You can get more information on our website or email questions to [ratecase@gwresources.com](mailto:ratecase@gwresources.com)

# Questions?



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TM

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RELIABLE RENEWABLE REUSABLE

# Attachment

"E"

- As you know, my Team and I were present at the public comment session on May 30<sup>th</sup>. These are a great opportunity to listen to our customers, which we do.
- I want to take this opportunity to follow-up on three main concerns we heard at the Public Comment Session:
- **First, to the question why has Global Water filed for another rate increase?**
  - I am concerned that customers do not understand the drivers behind the necessity of a regulated utility filing rate applications. There is a great deal of information we could provide on this point, which we have of course provided in the application and to your attorney. I also intend to summarize these reasons in the future.
  - However, as my time is limited, I would like for our customers to consider this simple explanation in hopes that it clears up any related confusion:
    - Because of the phase-in of rates that occurred from the last rate case, I believe there is some misunderstanding about how many rate increases have occurred. To be clear, there has only been one rate increase in Global's history here in Maricopa. It occurred in 2010 but was phased in throughout 2010, 2011, and the last step in January 2012.
    - The current rates, approved by the Arizona Corporation Commission in 2010 **are based on the cost of operating the utilities in 2008**. They were just phased-in, which means the utility agreed to receive less revenue than it was authorized to receive in order to mitigate the impacts on customers.
    - The prior rates were actually set almost a decade earlier based initial pro-forma rates set by the original owner/developer, and were not based on real costs and investments.
    - Now we are in our second rate application. Just as the City and consumers have seen cost increases since 2008, the utilities have experienced increases in the cost of power, chemicals, and other expenses required to operate our systems in a safe and efficient manner.
    - Additionally, in response to the unfortunate timing of our last rate case which was filed in 2008 just after the market collapse, we voluntarily cut expenses to minimize the impact to customers. These cuts, however, are not sustainable over time – **we simply can't continue to operate on a reduced budget set by 2008 costs and return on investments.**
- **Second, we heard concerns that some customers received phone calls or notices about pending disconnections in error.**
  - To provide some background and for your knowledge, Global Water conducts all payment, late charges, and disconnection processes in exact accordance with the Commission's Rules on Water and Wastewater.
  - We believe it is best for all customers and easiest from an overall business and customer service perspective just to stick exactly to what is prescribed in the Regulations.
  - These regulations require us to notify each customer in writing who is at risk for a disconnection due to non-payment at least 10 days in advance.
  - Beyond this, Global has an advanced Integrate Voice Recognition (IVR) system that makes outbound calls to notify customers of the pending disconnect, and it allows them to make an automated payment right then over the phone.



- We will be docketing a detailed analysis and review of our disconnection processes, which you will receive. But in general, we did discover due to human error in processing one batch payment in April, it may have resulted in 164 Maricopa customers inadvertently being notified of pending disconnection. **However, I want to assure you no customers were actually disconnected as a result of this error.**
- Most complaints about disconnection in the past, resulted from payments being received on the night before or the day of the scheduled disconnect. To remedy this issue, we now manually review the disconnect list against payment records on the day disconnection is scheduled to see if payments have been received. If the account has been the day before, or the day of the disconnect, the manual review cancels the disconnection.
- However, a customer might still receive a phone call advising them that their bill is due on the disconnect day, as it takes a takes some time for the phone system to sync with the payment system and re-set to recognize the payment has been received.
- We will continue to make improvements to limit this issue.
- I do not have time to get to the 3<sup>rd</sup> topic, so I will return to discuss it at a future date.
- We appreciate the customers bringing these matters to our attention. We do listen and act, which is evident by the much reduced customer service issues brought forward to the Commissioners. If you will recall, customer service was as significant a concern last time, as the rate increase itself. **Due to this, while working with the prior City utility task force - we subsequently rebuilt our customer service operations, process, and technology. In the following years, our ACC complaints dropped from well over 100 per year, to only 18 preventable complaints across all Global utilities in 2012. This council should equally be proud of and take some credit for this, and know that you can continue working directly with us.**
- Please bring any further matters to our attention. So we can address and eliminate these types of issues and complaints.
- I plan to return to future council meetings to cover additional items.

ATTACHMENT

"F"

# About Our Rate Case

## Is Global Water filing more than one rate case?

Yes. Global Water owns and operates 12 water and wastewater utilities in the state of Arizona. We are filing seven (7) rate applications, although we have asked for consolidation into one rate case proceeding. The seven (7) utilities involved are:

- Global Water – Palo Verde Utilities Company
- Global Water – Santa Cruz Water Company
- Valencia Water Company – Town Division
- Valencia Water Company – Greater Buckeye Division
- Water Utility of Greater Tonopah
- Willow Valley Water Company
- Water Utility of Northern Scottsdale

## What is the ACC's role in setting water rates?

The Arizona Corporation Commission (ACC) regulates investor-owned water companies throughout the state. The ACC monitors service quality, sets rates and inspects utility facilities to ensure they are in proper working order.

Utilities are entitled to recover the expenses associated with operating the utility, plus a reasonable return on infrastructure investments. This money is collected through the rates that customers pay. When a utility requests a rate adjustment from the ACC, several steps are taken. The ACC reviews the company's financial condition and ensures the company is fulfilling its obligations to customers. The ACC Staff prepares a staff report which lays out staff's position. A public hearing is held and presided over by an Administrative Law Judge. The judge considers the facts as presented in the testimony and prepares a Recommended Opinion and Order (ROO) which advises the Commission of Staff's recommendations regarding the rate case. The Commission considers the ROO and may accept, modify or reject any or all of recommendations.

## What is a rate case?

Over the years a system has been developed to consider rate cases. The utility presents its case, and customers and regulators can challenge the utility's requests. In Arizona, an independent agency represents customers' interests, the Residential Utility Consumer Office ([www.azruco.gov](http://www.azruco.gov)). RUCO has trained lawyers and accountants who represent customers in rate cases.

Early in the process, a schedule of public hearings is created that allows the public to follow and participate in the process. The utility is required to support its request through testimony and exhibits that must meet rigorously applied standards of evidence. During the hearing process, the utility is subject to cross examination and evidence presented in the proceeding can be challenged on a number of grounds.

The rate case process involves the following players:

- the utility;
- members of the public, including local government, public interest groups and other organizations and individuals;
- RUCO gets involved in certain cases, and
- the Arizona Corporation Commission Staff.

For more information, visit Anatomy of a Rate Case on the ACC website.

## Why is Global Water asking for a rate increase?

The ACC sets water, wastewater, and recycled water rates based on costs in a historic "test year", allowing for the recovery of expenses incurred and a return on prudent investments made prior to or within the "test-year". For example, the current rates are based a 2008 test year (except Water Utility of North Scottsdale). The rate increases for the 2008 "test year" did not go into effect until 2010, with the final phase-in not taking effect until January 2012 for our utilities in the City of Maricopa. This discrepancy between past costs and investments (on which rates are based) and current higher costs and additional investments made (which Global Water incurred) is known as regulatory lag and results in lost revenue that cannot be recovered.

Additionally, during the last rate case filed in 2009, Global Water voluntarily excluded some significant costs from the rate application to minimize the rate impact on customers. These expenses continue to be incurred despite not being included in rates. It is unsustainable to continue to exclude these expenses and therefore these costs must be recovered moving forward through an adjustment to rates.

Due to regulatory lag on expenses and investments, the previously excluded expenses, and other financial and regulatory accounting decisions made by the ACC in the last rate case, Global Water is not achieving the necessary revenue requirement or return on investments. Achieving these financial milestones and the revenue requirement approved by the ACC is essential to all utilities and is the mechanism through which we can attract the capital necessary to maintain our financial health and meet the needs of the community and our customers.

In addition, the Commission has been encouraging utilities to increase the frequency of rate applications to reduce the scale of rate increases and to ensure utility companies remain financially viable institutions. Filing a rate case at this time will minimize the impact to our customers due to a less substantial rate change. Greater periods between rate increases result in large increases, and ultimately have a greater impact on the customer.

Global Water remains committed to providing safe and reliable drinking and recycled water, and conserving this resource for future generations and this rate application is an essential step to provide this vital.

## **Has Global asked for emergency or interim rate relief?**

No.

## **How much more will I be paying for my water and/or wastewater service?**

The amount will vary depending on your meter size and usage. The ACC will have the final word in determining the amount of the rate increase, if any, that is approved.

## **When will the rate increase take effect?**

The rate case process usually takes from 12 - 18 months. We expect any increase would become effective in mid to late 2013.

## **What is the process for making a rate change?**

Global Water started the process by filing a rate application with the ACC. The ACC staff will make a determination if the application has met the ACC's filing requirements. The ACC staff thoroughly reviews the application and may ask Global Water to provide additional information. A public hearing will be held before an Administrative Law Judge. Global Water will submit testimony supporting the rate case, and the ACC staff will submit testimony on the findings of their review. The Judge will write a recommended order for the five Commissioners to consider. The Commissioners can choose to accept the order, modify the order or reject the order. New rates, if approved, would go into effect once the Commissioners render a decision. This process typically takes 12-18 months from start to finish.

## **The proposed rate change seems like a big increase. How does it compare to other utility company increases?**



The ACC has jurisdiction over the service and rates of all public service utilities in Arizona. The ACC staff does an extensive review and audits the process to ensure that all approved rate increases are required to meet the needs of the customers and the utility company.

### **What is Global Water doing to assist customers in limiting the impact of any rate increase?**

Global Water currently offers a Conservation Rebate Threshold in which customers receive a rebate if their consumption falls within the rebate range for their location. This not only assists customers in controlling their bills, but helps to conserve water for future use.

### **What improvements has Global Water made since the last rate case filing?**

Global Water has continued to make prudent investments in all water, wastewater, and recycled water infrastructure. Additionally, there has been a focus on being more efficient through the implementation and use of advanced IT platforms in our utilities. Such platforms have also allowed for significant improvements to the customer experience. Since the last rate case customers have been given tools such as our U2You website which allows customers to view and proactively manage their daily water consumption and pay their bills on-line or through automatic payment. Lastly, Global Water has launched both an iPhone and Android app which allows customers to proactively manage their consumption and payments.

### **How can I get additional questions answered?**

There will be an official public comment period but we welcome your questions and comments at any time. You can submit questions by email to [ratecase@gwresources.com](mailto:ratecase@gwresources.com).